

BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
COLUMBIA, SOUTH CAROLINA

HEARING #21-11968

DECEMBER 7, 2021

10:03 A.M.

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DOMINION ENERGY SOUTH CAROLINA — *Allowable Ex Parte Briefing Regarding the Effect of Cost of Gas on Utility Natural Gas Prices and Electricity Prices and Its Impact on Customers*

**ALLOWABLE EX PARTE
BRIEFING**

COMMISSION MEMBERS PRESENT: Justin T. WILLIAMS, CHAIRMAN
Florence P. BELSER, VICE CHAIR; *and* COMMISSIONERS Carolyn L.
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'Tom' ERVIN^[A/V], Headen B. THOMAS, and Delton W. POWERS,
JR.

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SPECIAL COUNSEL

STAFF PRESENT: Jocelyn Boyd, Chief Clerk/Executive Director;
Jo Anne Wessinger Hill, General Counsel; Sharon P. Besley,
Staff Attorney, Legal Staff; John Powers, Technical Advisory
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Elizabeth M. Wheat, CVR-CM/M|GNSC, Court Reporter

APPEARANCES:

K. CHAD BURGESS, ESQUIRE, legal representative of/for
DOMINION ENERGY SOUTH CAROLINA, together with PRESENTERS **JOHN H.
RAFTERY [Director/Regulation]**, **ROSE M. JACKSON [Director/Gas
Supply Services]**, AND **ALLEN W. ROOKS [Manager/Regulation]**

NICOLE M. HAIR, ESQUIRE, Designee of the Executive
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Note: For identification of any additional referenced materials and/or links for same, please see correspondence to be filed by the Office of Regulatory Staff/Designated Neutral.

Please note the following inclusions/attachments to the record:

- DESC's Presentation Slides (PDF)

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P R O C E E D I N G S

CHAIRMAN J. WILLIAMS: Good morning, ladies and gentlemen. Welcome to the Public Service Commission of South Carolina. Today is Tuesday, December the 7th. It's 10:03 a.m. We're here today for a allowable ex parte briefing from Dominion Energy South Carolina, Incorporated.

Present in the hearing room, we have Commissioners J. Williams, Caston, Powers, Belser, C. Williams, and Thomas. Joining us virtually, we have Commissioner Ervin.

Attorney Stark?

MR. STARK: Thank you, Mr. Chairman. Good morning, Commissioners, Mr. Chairman, and all those who are present today in person and virtually.

Today is Tuesday, December the 7th, 2021, and we are here in the Commission's hearing room pursuant to a Notice of Request for an Allowable Ex Parte Briefing from Dominion Energy South Carolina, Incorporated, for a briefing as outlined in Commission Order No. 2021-694.

The subject matter noticed to be discussed at the briefing today relates: The Cost of Gas on Natural Gas Prices and Electricity Prices and Its Impact on Customers. Dominion shall present

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1 information to the Commission at this allowable ex
2 parte briefing on the following items: One,
3 overview of natural gas rates and ratemaking in
4 South Carolina; two, current wholesale gas prices'
5 trends and the cause of these trends; three,
6 impacts of gas price trends to purchased gas
7 adjustments – PGAs – by customer group; four,
8 impacts of economic changes on rates via the Rate
9 Stabilization Act, which is the RSA; the cost of
10 gas for electricity; customer impacts by increasing
11 gas prices; how the Public Service Commission and
12 utilities can help keep gas prices low, or down;
13 messaging rate changes.

14 This is, I would remind everyone, a briefing
15 and not a hearing. The briefing must be conducted
16 in compliance with the provisions of South Carolina
17 Code 4-58-260(C)_[sic], and the requirements of that
18 statute are, in part, that the allowable ex parte
19 briefing be confined to the subject matter which
20 has been noticed. I therefore ask the presenters,
21 Commissioners, and Staff all please refrain from
22 discussing any matters not related to this specific
23 topic.

24 The statute prohibits any presenter,
25 Commissioners, or Commission Staff from requesting

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1 or giving any commitment, predetermination, or
2 prediction regarding any action by the
3 Commissioner – by any Commissioner or the
4 Commission as to any ultimate or penultimate issue
5 which either is or is likely to come before the
6 Commission. I would ask the presenters, Staff, and
7 Commissioners to refrain from referencing any
8 report, article, statute, or document of any kind
9 that are not included in today's presentation. A
10 copy of any document which is referenced during the
11 briefing must be provided to ORS for inclusion into
12 the record, which will be certified to the Chief
13 Clerk of the Commission, Ms. Jocelyn Boyd.

14 If anyone during the course of this briefing
15 exceeds the scope or does not comply with or fails
16 to conduct themselves within the provisions of
17 South Carolina Code Section 58-3-260 governing
18 allowable ex parte briefings, it is expected for a
19 contemporaneous objection to be made.

20 And finally, everyone in attendance today, in
21 person or virtually, must sign in or register.
22 Everyone in the hearing room or watching live
23 virtually must also read, sign, and return the form
24 which you were given at the door when you came in
25 today, or the form which will be e-mailed to you

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1 for your virtual appearance, which will include
2 instructions and the deadline for form return. It
3 is required by law for each attendee, whether
4 attending virtually or in person, to certify that
5 the requirements contained in Section 58-3-260(C)
6 have been complied with in this presentation.

7 Thank you for your time and attention.

8 Thank you, Mr. Chairman.

9 **CHAIRMAN J. WILLIAMS:** Thank you, Attorney
10 Stark.

11 I'd like to recognize the parties just so we
12 know who we have present here with us in the room.
13 Office of Regulatory Staff?

14 **MS. HAIR:** Thank you, Mr. Chairman. Good
15 morning. Good morning, Vice Chair Belser, members
16 of the Commission. Nicole Hair, on behalf of the
17 Office of Regulatory Staff.

18 **CHAIRMAN J. WILLIAMS:** All right. Thank you,
19 Ms. Hair – Attorney Hair. Excuse me.

20 Dominion Energy South Carolina?

21 **MR. BURGESS:** Good morning, Mr. Chairman, and
22 members of the Commission. My name is Chad
23 Burgess, and I'm corporate counsel for Dominion
24 Energy South Carolina.

25 **CHAIRMAN J. WILLIAMS:** Thank you, Attorney

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1 Burgess.

2 All right. Dominion Energy South Carolina,
3 are you ready to proceed?

4 **MR. BURGESS:** Yes, we are, Mr. Chairman. And
5 to begin with, we want to thank the Commission for
6 opening up its doors, allowing us to come over here
7 and appear before you in person. It's been – it's
8 too long. So we are happy to – to be before you
9 live.

10 I did want to introduce our panel today to
11 you. To begin with, we have John Raftery; he is
12 the Director of Rates. Allen Rooks is the Manager
13 of Rates, and Rose Jackson is the Director of Gas
14 Supply Services for the company.

15 So, John is going to begin the presentation.
16 We've got about 25-26 slides, and there's some
17 transition between the various topics that you've
18 asked us to address, so you'll see those as we get
19 through the slide deck. Feel free to interrupt the
20 presenters at any time if you have a question, or
21 if you want to wait until the end to ask your
22 questions, that's fine, too. We're here at your
23 pleasure, and we want to make sure that you get all
24 the information that you're looking for through
25 this proceeding.

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1 So, with that, Mr. Chairman, I'm going to turn
2 it over to John Raftery and ask him to begin the
3 presentation. Thank you.

4 **CHAIRMAN J. WILLIAMS:** All right. Thank you,
5 sir. And my preference is that the presenters are
6 allowed to make their presentations and that we
7 hold questions until the end. All right. Please
8 proceed.

9 **MR. JOHN H. RAFTERY [DESC]:** Mr. Chairman,
10 Vice Chair, all the Commissioners, it is wonderful
11 to see you here in person. I'd like to compliment
12 the Commission Staff for the setup here today.
13 It's a whole different experience to be here in
14 person than to watch proceedings on a small
15 computer screen. So I'd like to thank you for
16 having us here in person and for the precautions
17 that you put in place to have Dominion Energy here
18 this morning. So thank you, very much.

19 With me today is Mr. Allen Rooks. As Mr.
20 Burgess indicated, he's an expert in electric
21 pricing in the electric fuel generation matters for
22 the company, as well as Ms. Rose Jackson, who's an
23 expert from the gas supply side.

24 [Reference: DESC Presentation Slides 1-2]

25 We've organized today's presentation according

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1 to the Commission's Order. The nine subject areas
2 that you see on the screen are from – from the
3 Order. We recognize that certain subject areas
4 have a certain amount of overlap; therefore, you
5 might find a collection of slides that addresses
6 multiple subject areas.

7 I also want to mention that the company
8 reviewed last week's business meeting and
9 recognized that today's allowable ex parte
10 certainly is for the benefit of the Commission, but
11 to the extent that there are others watching, like
12 customers, we felt it would be beneficial to work
13 these slides that are a little more meaningful for
14 customers. Therefore, to the extent that you might
15 find something that is more basic or rudimentary,
16 we'd ask for your forgiveness, in recognition that
17 we did that mostly for customers. I've got the
18 clicker for the entire presentation; I'll try to be
19 prudent with your time.

20 [Reference: DESC Presentation Slides 3-4]

21 So let's start with an overview of the natural
22 gas rates and ratemaking in South Carolina. As
23 this Commission knows, there are really three basic
24 components to natural gas rates here in South
25 Carolina. I will discuss each in subsequent

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slides, but in order to make sure we get the nomenclature correct, I wanted to start with some acronyms that we often use for different components.

The first is there's the base rate. That is addressed through the annual Rate Stabilization Act, or RSA, proceeding. The second is the Weather Normalization Adjustment, commonly referred to as "WNA." And the third item is the Purchased Gas Adjustment, or PGA, and it's also referred to as the "cost of gas" often. So in case I use one interchangeably, hopefully, you'll find this slide helpful. Obviously, the PGA component is the primary focus of today's allowable ex parte.

[Reference: DESC Presentation Slide 5]

So let's just start first with: What is RSA? It was enacted in – by the State Legislature in 2005, and it's applicable only to natural gas companies in the State. It does not apply to electric utilities or water or sewer.

It is designed to generate the amount of revenue needed to recover the cost of service, and that cost of service is really two different buckets. The first bucket are operating costs, and the second bucket is a return of and on rate base.

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1 Operating expenses include such things as
2 repairs and maintenance to the system; certain
3 administrative activities, like human resources,
4 accounting, finance with the regulatory group;
5 depreciation on assets; and certain taxes, such as
6 property taxes and income taxes. Those make up the
7 broad bucket of operating expenses.

8 Rate base, on the other hand, includes such
9 items as additions or improvements to assets; and
10 think about service mains or service lines to
11 customers' homes, or meters, those sorts of
12 physical assets. It also includes materials and
13 supplies for the employees to conduct their
14 business each and every day. Other items like
15 accumulated depreciation reserves and accumulated
16 deferred income taxes are just a few examples of
17 the items that make up the rate base.

18 These rates are really implemented via two
19 components on a customer's bills. First is a basic
20 facilities charge, and for our residential
21 customers, the basic facilities charge is \$10.90
22 per month; that is fixed. And that is intended to
23 cover, really, customer-service-related cost of
24 service, things like the call centers, things like
25 our phone system, things like our website, items

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1 such as metering and billing and remittance; that's
2 what the basic facilities charge is largely
3 designed to capture.

4 The second item is a base rate. Not to be
5 confused with a fuel base rate, this is, again, to
6 address those items under operating expenses in
7 rate base, and it is charged on a per therm or per
8 dekatherm basis. I think everyone knows that a
9 dekatherm is simply ten therms, and it's just
10 dependent on which rate schedule you are on, how
11 you are charged.

12 I wanted to mention that the RSA is an annual
13 proceeding. The company just went through it with
14 its filing in June, an ORS report in September, a
15 stipulation, and rates go into effect in November.
16 Four out of the last ten years, the rates have
17 stayed steady or gone down. Six of the last ten
18 years, in those proceedings, rates have gone up.
19 So just to give you kind of some context that the
20 RSA proceeding doesn't always mean a rate increase;
21 sometimes it's – they stay steady, sometimes they
22 go up, and sometimes they go down

23 [Reference: DESC Presentation Slide 6]

24 Moving on to the second item, the Weather
25 Normalization Adjustment, it was implemented by

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1 Commission Order 91-971 in 1991. It was
2 subsequently modified very slightly in subsequent
3 orders by this Commission, but it is designed to
4 stabilize customer bills and utility revenues in
5 cases of extreme weather. So it's only applicable
6 during the winter months of November through April.
7 It's also only applicable to those rate schedules
8 that are sensitive to weather. So there are two
9 rate schedules you see in front of you: the
10 Residential Rates 32S and 32V and Commercial Rates
11 31 and Commercial 33 – Rate 33. Sorry.

12 Fundamentally, at a high level, the WNA is
13 designed, if weather is normal – and that's based
14 off of the 30-year average according to NOAA –
15 rates aren't adjusted upward or downward. However,
16 if the winter weather is colder than normal and
17 customers are using more – more natural gas, the
18 base rate is actually reduced some by this WNA
19 factor, that has a tariff sheet. It also has a
20 special spot on our website where there's a
21 tutorial video for customers to understand how WNA
22 works on their bill. And then lastly, if the
23 winter weather is warmer than normal, the WNA
24 factor adjusts the base rate slightly upward.

25 [Reference: DESC Presentation Slide 7]

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1 The third and final component of rates are –
2 is the Purchased Gas Adjustment. It recovers the
3 cost of natural gas, and there are two components
4 to the cost of natural gas. Namely, there's the
5 commodity, which are the molecules of gas
6 themselves, and then there's the demand, and the
7 demand is the ability and the actual execution of
8 getting that gas here via transportation, certain
9 storage assets, and then the company has two
10 liquefied natural gas assets.

11 The PGA is examined by the company every
12 month, and every month, we'll look at the over- and
13 underrecovery of the commodity, the under- and
14 overrecovery of demand, and then we'll look at the
15 forward-looking, 12-month price forecast for
16 natural gas. In that examination, we will
17 determine a new cost-of-gas factor. If that cost-
18 of-gas factor is within 4 cents of the current cost
19 of gas, no changes are made to the rates; they stay
20 steady. If it's more than 4 cents, rates are
21 adjusted upward. If it's less than 4 cents, rates
22 are adjusted downward. And I'd like to say that
23 it's a good thing. It really minimizes any sort of
24 rate shock. There's – there's a constant
25 examination of the rate and adjustments throughout

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1 the year.

2 I also wanted to share with you that this
3 year, three months the rate has actually increased;
4 it was in July, August, and October. Two months
5 this year, the rates decreased; those were in
6 February and May. In seven months this year, the
7 rates stayed steady – there was no need to change
8 the rates – including December and including
9 November. So the current rate schedules in place
10 for the cost of gas have stayed the same October,
11 November, and December, but there has been a
12 thoughtful examination of the increasing cost of
13 gas and if that trigger of the 4 cents caused a
14 change in rates and, fortunately, it did not.

15 Lastly, I wanted to mention that the cost of
16 gas, there is no profit; there is no markup; it is
17 a direct pass-through to customers.

18 [Reference: DESC Presentation Slide 8]

19 Moving on to our second area, I'll hand it
20 over to Ms. Rose Jackson.

21 **MS. ROSE M. JACKSON [DESC]:** Good morning.
22 It's so good to see y'all in person.

23 I wanted to start off with – next slide.

24 **MR. JOHN H. RAFTERY [DESC]:** [Indicating.]

25 [Reference: DESC Presentation Slide 9]

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1 MS. ROSE M. JACKSON [DESC]: Okay.

2 I wanted to give a brief overview of how we
3 deliver natural gas to South Carolina. And here,
4 we took a map of the lower 48 states, the shale
5 plays that exist today. I know there's been a lot
6 of – a lot of discussion associated with the shale
7 plays in the U.S., and we are very blessed to have
8 these natural geologic formations where we can find
9 domestic supply.

10 So if you see the map there, if we start in
11 the Texas/Louisiana area and move up, the red line
12 there is Transco, Transcontinental Gas Pipeline,
13 and that moves from Texas all the way into New
14 York. And then the purple-colored lines there is
15 Southern Natural Gas, which begins in Louisiana and
16 dead-ends in Aiken, South Carolina. Those are the
17 two upstream pipelines that feed into Carolina Gas
18 Transmission. And then Carolina Transmission, for
19 the majority of our system here, for DESC, delivers
20 to the Dominion Energy South Carolina distribution
21 system. CGT is represented in the bright blue.

22 What this affords us the opportunity to do is
23 we can purchase gas from both the Gulf region, in
24 that Texas/Louisiana area, both onshore and
25 offshore, and also from the Marcellus region where

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1 you see represented by the light-colored orange in
2 the northeastern portion of the country. So we're
3 very fortunate to be able to bring gas in from both
4 sides of the Transco system.

5 [Reference: DESC Presentation Slide 10]

6 Okay. And then I wanted to go back and look
7 at our average prices. These are the NYMEX
8 historical prices that go back to 2005, and they
9 look forward to 2027. And then we've also got the
10 Energy Information Administration's Annual Energy
11 Outlook from this year, 2021. That outlook is
12 published during the first quarter of each year, so
13 this report was dated February – February 3rd of
14 2021. But this is an indicator of where the EIA
15 sees prices going. However, when you look at how
16 we update our PGA forecast, we use the NYMEX, and
17 the reason for that is there are several forecasts
18 for gas prices out there; however, the NYMEX is the
19 long-term forecast where we can purchase financial
20 positions at those prices. So, the EIA, while it
21 has a long-term forecast, there is not a method or
22 a means where we can go out and purchase gas at
23 those forecasted prices, so NYMEX is traditionally
24 what we have used to indicate where prices will be
25 going.

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1 And just to give you some information of how
2 the volatility in natural gas has occurred over the
3 last several years, you'll see, beginning in 2005,
4 prices were at that high level at almost to \$9. We
5 were recovering from Hurricanes Katrina and Rita
6 that hit in late 2004. Then, prices dropped down.
7 But then, in 2008, we had even more damaging
8 hurricanes with Gustav and Ike, which caused
9 another price spike that went to the \$9 mark. And
10 then you saw prices began to drop off, and much of
11 that was because the natural gas industry focused
12 on taking those – taking the high prices and
13 developing hydraulic fracking that would allow us
14 access to domestic supply in those regions that we
15 saw on the last map, where we would have access to
16 shale supplies.

17 When I got into the gas industry back in 1992,
18 everybody kept saying that we were going to run out
19 of natural gas in about ten years. And in that
20 2004 time frame, imported liquefied natural gas
21 from other countries was going to be the savior for
22 our domestic natural gas supply needs. But when,
23 with this technology was – we've known that these
24 shale geologic formations existed; we just didn't
25 have the drilling technology to get to those

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1 formations.

2 So with the advent of that technology, we were
3 able to access this new supply source right here in
4 our country, which has given us an abundant supply
5 source. And so then after that 2008 time frame,
6 you'll see that prices dropped off again until we
7 hit this new weather – this new weather concept
8 called the “polar vortex event.” So many of you
9 will recall how cold it was during January and
10 February of 2014, and that's why – where we see
11 prices take another spike up. After that, we had
12 warmer-than-normal winter seasons, so you see
13 prices dropped off and began to level. 2018 was
14 the second polar vortex event that occurred in our
15 area, once again in that January time frame,
16 January-February time frame. So you saw that
17 prices took another little jump up, but then we
18 didn't see extended cold periods, so prices began
19 to stabilize, and then once again prices dropped
20 down to that \$2 mark.

21 But then, this fall – I'm sorry, let's go back
22 to February of 2021. We encountered a polar vortex
23 event that dipped lower than we had ever seen. It
24 went into the Texas area. So many of you heard the
25 reports of what happened in what they're calling

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1 the "Texas polar vortex." Gas prices jumped up for
2 a short period of time, but the aftermath of those
3 price spikes continued to go on through that winter
4 season. There was so much storage that was
5 utilized during that time period – we're getting
6 ready to talk more about where storage sits today
7 and the impact of storage on natural gas prices,
8 but that weather event and the duration of that
9 weather event created the need for more physical
10 storage to be utilized than it had in the previous
11 five winters. So that, coupled with the hurricane
12 season that we had, that caused an increase in
13 prices.

14 You want to go to the next one?

15 **MR. JOHN H. RAFTERY [DESC]:** [Indicating.]

16 [Reference: DESC Presentation Slide 11]

17 **MS. ROSE M. JACKSON [DESC]:** There you go.

18 So here's a summary of the U.S. storage, and
19 what this shows – if you look at the wide gray
20 area, that shows you where the average storages sit
21 for the last five years, so at the high portion,
22 that shows you the maximum level of storage, and
23 then the lower area shows you the minimum, and then
24 in the middle you see the gray line; that is the
25 five-year average. And then the blue line shows

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1 you where our actual storages sit. And if you look
2 back to the 2019 time frame, we're underneath the
3 five-year average, but then we track it until we
4 get into that 2020 time frame, and we are above it
5 all the way up until February of this year when the
6 polar vortex event hit Texas. And then since that
7 time, we have been lagging behind the five-year
8 average.

9 So as we entered into this winter season, we
10 were behind on the five-year average of storage,
11 which drove up demand for natural gas, because
12 utilities were still trying to fill their physical
13 storages. That, coupled with the active hurricane
14 season that we had, drove prices up to where we saw
15 it. The prices for this previous year – hold on,
16 let's see – when we go back to 2021, yesterday's
17 close, we closed at \$3.70, but our high price
18 occurred on October 5th – it was at \$6.31 – while
19 the low price occurred on January 22nd at \$2.45.
20 So you can see the dramatic range that we've seen
21 just during this calendar year.

22 I think that as we go through this winter
23 season – every time we head into a winter season
24 everybody is concerned about what type of weather
25 we're going to have. And if we have normal

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1 weather, with our storage levels being below the
2 five-year average, that can cause natural gas
3 prices to tick up. However, if we enter into that
4 January time frame – and if you look at the latest
5 weather forecast, they are now calling for warmer-
6 than-normal weather – then I think you'll see
7 prices continue to come back down to a more stable
8 level, to around that \$3 mark, maybe slightly
9 lower.

10 So all this continues – natural gas prices do
11 continue to be impacted by weather, by our storage
12 levels, but also what type of demand we see, not
13 just here in the U.S., but also globally.

14 So if we can go to the next slide?

15 **MR. JOHN H. RAFTERY [DESC]:** [Indicating.]

16 [Reference: DESC Presentation Slide 12]

17 **MS. ROSE M. JACKSON [DESC]:** And here you'll
18 see we have had tremendous LNG exports from the
19 U.S. to Europe and Asia. And the reason for that
20 is, when you look at what our prices are trading
21 at, our forward price for January of 2022 is
22 trading at \$4.12. This was the closing prices as
23 of December 3rd. And you can see that the European
24 prices were trading at \$32, \$29; and then Asia, the
25 Japan/Korea index, was at \$34. So the demand for

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1 LNG worldwide has increased from the U.S., and we
2 are exporting more LNG than we ever had.

3 If you'll remember my comment from earlier, in
4 2004, we thought imported LNG was going to be the
5 savior for our domestic supply needs, and now the
6 U.S. has become an LNG exporter. So when you look
7 at the increased demand for the winter season in
8 Europe and Asia, that drives demand up for U.S.
9 gas. However, Europe and Asia does not have the
10 ability to store gas, as we do in the U.S., so that
11 gas will return back to us in the late spring and
12 summer months so that we can begin to fill up our
13 physical storages.

14 [Reference: DESC Presentation Slide 13]

15 And just an overall summary of where we sit in
16 the natural gas market: The current impacts to
17 natural gas pricing, once again, are being driven
18 by our natural – or, national storage levels.
19 Recent hurricane events – when you look at
20 Hurricane Ida that occurred in late August,
21 95 percent of oil and gas production was shut in
22 during that time period. Hurricane Nicholas that
23 occurred in mid-September also impacted both oil
24 and gas production. So that, right before the
25 winter season, also drove concerns associated with

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1 supply, and it also interrupted refilling of our
2 physical storage. So the increased demand for
3 exported LNG also creates additional demand that
4 would drive prices up.

5 So our prices that you saw during that October
6 time frame, we were sitting at the 2014 levels that
7 we had with that first polar vortex event, and much
8 of that was because of the aftermath of that Texas
9 polar vortex event, coupled with the active
10 hurricane season, which prevented us from hitting
11 our five-year average storage levels. So all that
12 worked together to drive prices up during that time
13 frame. We believe that, once again, if we see
14 warmer-than-normal weather, that prices will
15 decline – and they have begun to decline. As you
16 can see, we're trading around that \$3.50 mark now.
17 And if we don't see weather materialize to normal
18 levels, in January we'll see it drop off again.

19 Shale production: The ability to produce and
20 supply more shale is there; however, the concern
21 that we have in the natural gas industry today is
22 how do we deliver that shale supply. There is a
23 need for new pipeline capacity, but much of that
24 capacity is going to require greenfield pipelines
25 in order to ensure that supply can be delivered.

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1 In the past, we had said that the typical FERC
2 timeline from the prefiling application process to
3 the in-service date of a new pipeline project was
4 roughly three years. That was probably a timeline
5 we would've given you five years ago. But now, as
6 we look at the FERC timeline, we're looking at five
7 to seven years or longer. Not only is this created
8 by FERC, longer timelines at the federal level, but
9 also longer timelines for local permits.

10 And there's continued opposition delays for
11 construction, which drives up costs, and that
12 attributes to higher cost of transportation and the
13 uncertainty of when that transportation will be
14 available to the marketplace.

15 So all of that, with limited supply and
16 increased demand, will drive up prices. I think
17 that we will continue to see spikes; however, when
18 you look at the long-term forecast that NYMEX has
19 and that EIA has, we're going to have stable prices
20 again. I'm just not sure that we'll get back down
21 to that \$2 mark. We may set a new lower level.

22 **MR. JOHN H. RAFTERY [DESC]:** Thank you, Rose.

23 [Reference: DESC Presentation Slide 14]

24 Let's move on to our next couple of sections.

25 They are the impacts of natural gas prices to the

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1 PGA by customer group, and then a conversation
2 about the RSA impacts to rates.

3 [Reference: DESC Presentation Slide 15]

4 I'd like to start by giving a representation
5 of an average monthly residential bill for a
6 Dominion Energy South Carolina customer. What
7 you'll see on the screen is that the average
8 monthly bill – and, simply, we took the average
9 annual usage and then divided it by 12 to get a
10 monthly bill, because, obviously, it changes
11 throughout the year – would be about \$66.11.
12 Interestingly, and it kind of makes sense if you
13 stop to think about it, over half of that bill was
14 related to the fuel component itself; it is the
15 cost of gas. You know, we are just securing
16 molecules of gas and passing it to the customer.
17 There's no transformation process, like on the
18 electric side, where you're buying fuel and turning
19 it into electricity, which requires other assets on
20 the system. The – that 52 percent is about \$34.11;
21 the remainder would be \$32 that would be the
22 nonfuel component. Think again about the RSA, or
23 the Rate Stabilization Act. And also you might
24 recall I mentioned the basic facilities charges is
25 \$10.90 to cover that customer-service cost of

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1 service. So about a third of the nonfuel component
2 for rates is captured via the basic facilities
3 charge.

4 [Reference: DESC Presentation Slide 16]

5 This graph represents, over the last 16 years,
6 how the NYMEX closing price tracks to the PGA
7 commodity price. Again, remember PGA, cost of gas,
8 two components: commodity, molecules; and demand,
9 that transportation. This just shows the NYMEX
10 closing prices against the company's PGA commodity
11 prices.

12 And we selected a 16-year period for two
13 reasons. Number one, the Rate Stabilization Act,
14 as you'll recall, was implemented in 2005. And
15 then, secondly, the – whether – the PGA itself used
16 to be an annual proceeding and moved to a monthly
17 proceeding in 2006. It was then adjusted in 2009
18 for that 4 cent threshold before – above and below,
19 so it seemed to be a good period to capture both
20 the RSA and changes in the PGA, and you'll see that
21 theme through the subsequent slides.

22 What I wanted just to call your attention to
23 is a couple of things. You saw it on Ms. Jackson's
24 slide; namely, back in 2005, rates were
25 significantly higher. Specifically, in November of

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2005, you can see that NYMEX price in blue, as well as the company's PGA commodity cost in red, they were significantly higher. You saw another large spike in June of 2008. However, as you work your way across the chart and if you use the right side, the current commodity price, you'll see that we've been here before. We've been here before as recently as 2017, 2014, 2013, 2011, 2010, and 2009. We've hit about this price over a half a dozen years over the last 16 years.

The only other thing I wanted to call your attention to on this slide is that the PGA commodity component trails, just a bit, the NYMEX. Again, that kind of makes sense. If you're doing this examination every month of the over- and underrecovery, as well as future price forecast, if you need to adjust it upward or downward it kind of would trail those prices. So you'll see that the PGA commodity kind of tracks just a tick behind the NYMEX prices.

[Reference: DESC Presentation Slide 17]

This slide shares, by customer class, what the total PGA cost of gas is. As you would expect, the commodity charge is the same for all customer classes, but the demand component is specific to

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1 the demands that that customer class puts on the
2 system.

3 Each annual PGA prudence hearing, which the
4 company just recently concluded in November,
5 there's a redetermination – or, determination of
6 the allocations to the different customer classes
7 for demand. And it's made up both of what does
8 that customer class demand on the system for a peak
9 day, and then what is the total annual sales for
10 that customer class. And it's that 50-50 weighting
11 that drives how the demand costs are allocated to
12 each customer class.

13 It is difficult, I'm sorry, to see on the
14 screens – and if you have a hard copy, I don't
15 imagine it's much easier to read – but in the lower
16 left-hand side, there is a table that gives a
17 comparison for the PGA cost of gas over a 16-year
18 period and over – a year-over-year, or one-year
19 period. And what I'd like to call your attention
20 to first is looking at the 16-year period: The
21 cost of gas today is significantly less than it was
22 in November of 2005. In fact, on a residential
23 perspective, the PGA component is 32 percent less
24 than it was back in 2005; on a commercial
25 perspective, it's 40 percent less; and then on an

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1 industrial, it's 20 percent – if I squint my eyes
2 enough to read that correctly. However, as we all
3 know or would expect, year-over-year that cost of
4 gas is higher. For a residential, it's about 13
5 percent – sorry, 15 percent; commercial is 29
6 percent; and then industrial is 36 percent.

7 [Reference: DESC Presentation Slide 18]

8 But, again, as you would expect, customers
9 really don't talk cost of gas too much. They don't
10 look at that component of their bill. They really
11 talk about, "What is my total bill? How much am I
12 paying to the utility for that service?" And this
13 examination keeps that 16-year examination, as well
14 as the one-year examination, and compares an
15 average monthly bill to what it was 16 years ago.
16 So on the top, you'll notice that today customers,
17 total bill, are paying \$4.22 less than they were
18 paying back in November 2005. It's a – that's a
19 6 percent decrease. Commercial customers are
20 paying about 23 percent less on a monthly average
21 bill, and then industrial's 13 percent. However,
22 recognizing that the cost of gas has gone up over
23 the last year – and we did have an RSA hearing, or
24 proceeding, earlier – year-over-year rates are a
25 bit higher. So just calling out the residential

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1 line on the second half, the bottom half of the
2 chart, you'll notice that this November's average
3 monthly bill is \$5.66 higher than it was last year
4 in November. I'd like to inform the Commission
5 that 77 percent of that, or \$4.33, is directly
6 related to PGA. The remainder is related to this
7 year's RSA hearing.

8 [Reference: DESC Presentation Slide 19]

9 We'll now move over to the impacts of natural
10 gas prices on electricity, and Mr. Rooks will take
11 it from here.

12 [Reference: DESC Presentation Slide 20]

13 **MR. ALLEN W. ROOKS [DESC]:** Thanks, John.

14 Good morning to all the Commissioners, and
15 I'll echo what John and Rose said. It's good to be
16 back here with you in person today.

17 So, starting off, our first slide here with
18 our pie chart that you'll see is similar to what
19 Mr. Raftery spoke with you about from a gas
20 perspective, but this is the residential bill.

21 So, currently, for DESC customers, it is at
22 \$125.92. And that bill is based upon the recently
23 approved and implemented rate-case rates that went
24 effective on September 1st of this year. And if
25 you look at that 1,000 kilowatt-hour residential

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1 bill, \$26.32 currently is the portion of that bill
2 that's associated with electric fuel costs. And so
3 that makes up about 21 percent of the bill,
4 currently. And that fuel rate that you see there
5 was approved earlier this year in the company's
6 2021 annual fuel proceeding.

7 [Reference: DESC Presentation Slide 21]

8 So taking this a step further, we just talked
9 about electric fuel costs making up 21 percent of a
10 residential bill, so now we're going into what
11 makes up electric fuel costs.

12 And so in this chart that I have here, I've
13 got noted on the left that DESC's fuel costs in
14 calendar year 2020 were about \$484 million, and
15 that's for base fuel cost, so that's the
16 traditional fuel cost that we think of for coal,
17 gas, oil, nuclear fuel, and purchased power. So
18 about \$484 million in calendar year 2020. Out of
19 that total, about \$190 million, or roughly
20 39 percent, was attributable to natural gas
21 commodity costs. And so in 2020 our average
22 purchase price for natural gas was \$2.49 per
23 dekatherm.

24 So as we shift over to the chart, I thought it
25 might be informative for the Commission to kind of

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1 see how our different sources break out from a
2 capacity and energy and a cost perspective. And so
3 as you look at each line, the first column is our
4 capacity mix for Dominion Energy South Carolina.
5 And so you see there, nuclear represents about 12
6 percent, coal at 30 percent, and right down the
7 column there. And then the next column is
8 percentage of energy. So these are where we
9 actually source the power, and this is where
10 economic dispatch comes in. So each hour of each
11 day we're looking for the most effective mix of
12 resources to ensure reliability and do so at the
13 least cost. The final column that you see there is
14 the percentage of cost. And, again, this is all on
15 a calendar year 2020 basis.

16 So if you look at nuclear as an example, you
17 can see that it makes up 12 percent of the capacity
18 mix, but, as far as the energy sourced out of
19 nuclear, it makes up 22 percent of the energy
20 supplied to Dominion Energy South Carolina
21 customers in 2020, and 8 percent of the cost. So
22 it's a very low-cost, low-variable-cost resource,
23 and so that's why you see it get dispatched the
24 most, and it's base-loaded year-round as it's
25 available.

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1 So coal, you can see, makes up 30 percent of
2 the capacity mix. Maybe the variable costs were a
3 little higher in 2020 for coal, and so we
4 dispatched coal to meet 16 percent of the
5 customers' energy needs in that calendar year.

6 One thing that you see and you notice here
7 with gas commodity and gas transportation is that
8 the percentages are fairly consistent across all of
9 the columns, and it makes up about 44 percent of
10 our available dependable capacity. It makes up
11 about 49 percent of the energy supply. And then,
12 if you add the transportation and commodity, that's
13 also at about 49 percent of the cost. So you can
14 see that gas is very important to our system from
15 an electric generation perspective.

16 Next slide, John.

17 **MR. JOHN H. RAFTERY [DESC]:** [Indicating.]

18 [Reference: DESC Presentation Slide 22]

19 **MR. ALLEN W. ROOKS [DESC]:** So, wanted to try
20 to give you a general rule of thumb here or give
21 you a metric to kind of keep in mind as far as
22 Dominion Energy South Carolina costs go. But based
23 upon a calendar year 2020 gas dispatch – and I want
24 to emphasize that, that we've stuck with our 2020
25 gas dispatch year because increases in commodities

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1 will have varying effects upon our dispatch. If
2 one commodity source goes higher, then we will
3 shift generation to a different commodity resource
4 or a purchased power, maybe, in the market. So I
5 want to emphasize that we've kept the dispatch the
6 same here as calendar year 2020.

7 And if you took that dispatch and increased
8 the natural gas commodity costs across each hour of
9 the year for all of that generation, you would add
10 an additional \$90 million in additional fuel costs.
11 So again, we're thinking of that \$484 million, but
12 if gas costs across the whole year were increased
13 by \$1, you're adding another \$90 million.

14 And so what does that translate to from a
15 residential bill perspective where we started? So
16 the next three bullets are a simple calculation of
17 kind of what that estimate would look like. So if
18 you've got calendar-year retail sales in 2020, what
19 you see there at the first bullet, about 20,914
20 gigawatt-hours, if you take the \$90 million that we
21 just put together in the estimate and you divide
22 through by those calendar-year gigawatt-hour sales,
23 you'd get a factor of about .00434 per kilowatt-
24 hour. When you multiply that by a 1,000 kilowatt-
25 hour bill, that translates to about \$4.34 a month.

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1 And so we can say that, you know, generally
2 speaking – again, this is a rule of thumb; dispatch
3 is far more complex and interwoven than this, as
4 far as shifting between generation resources to
5 take advantage of fuel costs. But, generally, it
6 would translate to about a \$4.30 increase in a
7 residential 1,000 kilowatt-hour bill.

8 [Reference: DESC Presentation Slide 23]

9 MR. JOHN H. RAFTERY [DESC]: Moving to our
10 eighth section of nine, a discussion on how the PSC
11 and utilities can help keep gas costs –

12 COURT REPORTER: Mr. Raftery, your mic.

13 MR. JOHN H. RAFTERY [DESC]: Thank you
14 [indicating]. Moving on to our eighth section of
15 nine, this section talks about how the utilities
16 and the commissions can help keep gas costs and
17 prices down for customers.

18 In reading the order and then reflecting on
19 last week's Commission business meeting, the
20 company really has interpreted this as: How can
21 the company help keep bills down? Because as
22 you've recognized, I mean, gas costs are what gas
23 costs are. It's a deregulated market where supply
24 and demand, you know, pushes and pulls. And Ms.
25 Jackson covers that at length in the PGA testimony,

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1 you know, discussing – and she did this morning,
2 really, talking about how we source natural gas
3 from – different ways on the system. We enter into
4 fixed transportation contracts to get gas here at a
5 cost-effective rate. We've got LNG that I
6 mentioned earlier, to help with those peak demands.
7 And then certainly there's the annual RSA
8 proceeding that includes a very detailed and
9 extensive audit by the Office of Regulatory Staff
10 to ensure that those cost-of-service items – the
11 operating expenses and those rate-base items – and
12 appropriate pro formas are made to the rates.

13 I mean, there's a very extensive process
14 behind those to help keep the gas prices down, but
15 at the end of the day, it's a supply-and-demand.
16 And what the company does focus on intently, moving
17 to the next slide –

18 [Reference: DESC Presentation Slide 24]

19 – is ensuring that customers are well aware of
20 the energy-efficiency programs that we have in
21 place. So the company has seven energy-efficiency
22 programs today, serving residential, commercial,
23 and industrial customers. What you'll see here is
24 one of the more popular ones, and it's certainly
25 one that we promote a great deal and can help

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1 customers today, in that a Building-Performance-
2 Institute-trained, BPI-trained, individual will
3 physically come to a customers' home – it could be
4 virtual; the customer could hold their phone with
5 the video on – and will walk through that home and
6 identify areas where there's possible leakage of
7 that conditioned air, inside the home, outside.
8 And that serves both the winter and the summer,
9 obviously. So think about sealing around windows
10 and doors. An examination of attic insulation.
11 There's also a number of installed measures, so
12 it's not just, "Here's a box. Please go do it"; it
13 is, "We're going to do it." It's a replacement of
14 five LED lightbulbs; it's a water heater wrap; it
15 is pipe insulation. And it's also a kitchen faucet
16 aerator, replacement of it.

17 The company gets this message out through an
18 assortment of means. In the appendix, you'll
19 notice a number of news releases that the company
20 has issued this year around its energy-efficiency
21 programs, as well as a number of media engagement.

22 I would like to add, however, that the company
23 has integrated very tightly both our Energy
24 Efficiency Department and our Customer Assistance
25 Department. So I believe the Commission has

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1 recently had the chance, you know, to talk about
2 the emergency rental assistance program, and the
3 company has a wonderful manager that runs our
4 customer assistance program; it's Christina
5 Freeman. When she and her agents are out in the
6 field and, you know, they're identifying or have
7 identified a customer in need, not only do they get
8 them the financial help that they need, but they
9 also make recommendations to our energy-efficiency
10 program. So whether it be a home energy checkup,
11 if appropriate, you know, an appliance repair,
12 rebates. Certainly there's low-income programs to
13 include the Neighborhood Energy Efficiency Program
14 that's a suite program, as well as direct mail of
15 lightbulbs. There's a suite of programs that the
16 company intently reviews every year and is looking
17 to grow over the upcoming years.

18 [Reference: DESC Presentation Slides 25-26]

19 **MR. ALLEN W. ROOKS [DESC]:** Okay. So
20 messaging rate changes: Our fuel statute requires,
21 each year – we talked earlier about the impact of
22 fuel on customer bills, but it requires that we
23 notice customers of increases, and that is per the
24 fuel statute. I will say to the Commission that
25 it's been our practice to notice customers of any

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1 changes in the rate, whether those be up or down,
2 and we generally change our fuel rates in the
3 spring of the year. It will be in May. And those
4 usually – those changes usually coincide with any
5 update, be that up or down, in the company's
6 demand-side management component and our pension-
7 cost component rider. So the intent there is to
8 try to minimize changes in the rates and have
9 stability there, and not change them multiple
10 times.

11 So we do notice each of our fuel actions,
12 again, where – again, whether they be up or down,
13 and we furnish those notices through bill inserts,
14 or bill notifications for those customers who
15 receive electronic bills.

16 And if anyone is interested, we – we've put a
17 website here where you can go and look at all of
18 the company billing inserts that we've sent out.
19 And those include fuel and any other inserts that
20 we send out for customer bills. And then, finally,
21 all of our electric gas rates and tariffs are
22 available online at the website you see there. And
23 they're also available at the Commission's eTariff
24 website in that system, as well.

25 [Reference: DESC Presentation Slide 27]

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1 **MR. JOHN H. RAFTERY [DESC]:** So we certainly
2 wanted to say thank you again for having us here
3 today. We hope this presentation was what you were
4 seeking.

5 We'd like to answer any questions; however, I
6 did – I do recognize I did overlook one item.
7 Namely, there was an item in the list of nine that
8 talked about what other commissions might be doing
9 or what other jurisdictions. And I wanted to
10 comment, if I could, very briefly.

11 The company's not aware of any actions in any
12 other jurisdictions that commissions are handling
13 the cost of gas in any unique way, whether that's
14 the 16 states that Dominion Energy operates in. We
15 certainly are aware of similarities. For example,
16 when I discussed the Weather Normalization
17 Adjustment, the Utah group – the Dominion Energy
18 Utah has WNA that's very similar. There's a
19 similar sort of mechanism in North Carolina; it's
20 called the "customer usage tracker." It's not
21 customer-specific and doesn't have that exact WNA
22 calculation, but it's more a broad system-level
23 margins, and I believe it's in April and October
24 rates can change upward or downward based off of,
25 really, a difference in sales volumes, which is

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1 driven by changes largely in weather.

2 But outside of that, there really aren't any
3 other actions in other jurisdictions that the
4 company is aware of that commissions have addressed
5 this, specifically.

6 With that, thank you.

7 **CHAIRMAN J. WILLIAMS:** Great presentation.
8 Great job. Thank you for coming to share that
9 information with us.

10 All right. Commissioner questions.
11 Commissioner Williams.

12 **COMMISSIONER C. WILLIAMS:** Thank you, Chairman
13 Williams.

14 And thank you. I really do appreciate the
15 eagerness with which you brought this information
16 to us. I've got two questions; one is for Ms.
17 Jackson: What's a greenfield pipeline?

18 **MS. ROSE M. JACKSON [DESC]:** A greenfield
19 pipeline is a pipeline that is going over terrain
20 that does not have any infrastructure – utility
21 infrastructure in it today. If we are looking at a
22 pipeline that may use existing right-of-way that a
23 utility or another pipeline has, it's commonly
24 referred to as brownfield. So when you think of
25 greenfield, just think of new facilities that are

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1 being constructed in that area.

2 **COMMISSIONER C. WILLIAMS:** Thank you.

3 **MS. ROSE M. JACKSON [DESC]:** Uh-huh.

4 **COMMISSIONER C. WILLIAMS:** And, Mr. Rooks, I
5 think you were talking about – but it might've been
6 Mr. Raftery – about bill inserts for electronic
7 customers. Could you talk through how you see
8 that? And I'll admit, I'm an electronic customer,
9 and I've been watching a little bit more to see
10 what it is I'm missing. So can you tell me more
11 about how those are triggered, with the receipt of
12 electronic bills.

13 **MR. JOHN H. RAFTERY [DESC]:** I created the
14 iContact, but I'm going to let Mr. Rooks talk about
15 it.

16 **MR. ALLEN W. ROOKS [DESC]:** Well, yeah. So
17 there's actually a link that's provided.

18 **COMMISSIONER C. WILLIAMS:** Okay.

19 **MR. ALLEN W. ROOKS [DESC]:** And so customers
20 can go out there and click on a link with any
21 notifications that may be there. And so they can
22 click on a link, as I understand it; there's a
23 hyperlink there that they can click on and go read
24 the notice and be informed as to what activity may
25 be going on or any kind of message that we are

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1 sending out to customers.

2 MR. JOHN H. RAFTERY [DESC]: If I could add,
3 there's an area of our website, and it's in the
4 appendix here, that has all of the bill messages or
5 bill inserts by – for the prior months. In
6 addition to what Mr. Rooks described, many of our
7 customers are downloading the Dominion Energy app.

8 COMMISSIONER C. WILLIAMS: Uh-huh. Uh-huh.

9 MR. JOHN H. RAFTERY [DESC]: And that's a
10 wonderful thing, and another thing I'd recommend.
11 It certainly is very helpful when someone is
12 experiencing a power outage. You don't have to –

13 COMMISSIONER C. WILLIAMS: Uh-huh.

14 MR. JOHN H. RAFTERY [DESC]: – fumble through,
15 you know, logging into the website and remembering
16 a user ID or password. It's really like any other
17 app that has the face ID, and it'll give you an
18 estimated restoration time and that sort of thing.

19 COMMISSIONER C. WILLIAMS: Uh-huh.

20 MR. JOHN H. RAFTERY [DESC]: But in addition,
21 when you go into the billing area, there are the
22 inserts for that month, so you can simply click on
23 those inserts and see them.

24 COMMISSIONER C. WILLIAMS: Would it give you a
25 notification, like how many inserts you haven't

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1 seen?

2 **MR. JOHN H. RAFTERY [DESC]:** Yeah, kind of
3 like an –

4 **COMMISSIONER C. WILLIAMS:** Right.

5 **MR. JOHN H. RAFTERY [DESC]:** – “unread
6 inserts”?

7 **COMMISSIONER C. WILLIAMS:** Right.

8 **MR. JOHN H. RAFTERY [DESC]:** Interesting
9 concept, and I’ll take it back. It doesn’t do
10 that.

11 **COMMISSIONER C. WILLIAMS:** Okay. Thank you.
12 I appreciate it very much. No further questions.

13 **CHAIRMAN J. WILLIAMS:** Commissioner Powers.

14 **COMMISSIONER POWERS:** Thank you, Mr. Chairman.
15 First, Ms. Jackson, thank you for what you
16 brought to us. You mentioned, in some of this
17 getting the gas to us, about continued opposition
18 delay costs.

19 **MS. ROSE M. JACKSON [DESC]:** Yes, sir.

20 **COMMISSIONER POWERS:** What is that, exactly?

21 **MS. ROSE M. JACKSON [DESC]:** When a project is
22 initially filed at FERC and the timeline is given,
23 contracts are signed for materials and for labor.
24 And so, as these projects are delayed at the FERC –
25 at the federal level or at the state level, there

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1 are costs associated with the delay in those
2 costs – in those labor contracts and in the
3 material contracts. And there's also legal costs
4 associated with defending the project.

5 **COMMISSIONER POWERS:** Okay. I mean, well, who
6 is the opposition, I guess is what I'm asking.

7 **MS. ROSE M. JACKSON [DESC]:** There are a lot
8 of different groups. There have been some
9 environmental groups that are concerned about, say,
10 the route of the pipeline project, and they want
11 additional information. But it depends on what
12 level that opposition occurs. Is it at the federal
13 levels, the state levels, and the local levels?
14 That can add, as you can see, from three years up
15 to seven years, or more. So when you're looking at
16 an incremental three- to four-year time frame of
17 building a pipeline project, those costs continue
18 to increase.

19 **COMMISSIONER POWERS:** Okay. Well, like if
20 there were a lawsuit trying to block, sort of
21 thing –

22 **MS. ROSE M. JACKSON [DESC]:** Yes, sir. Yes,
23 sir.

24 **COMMISSIONER POWERS:** – that's something that
25 the gas – who would be defending that? The utility

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1 wouldn't be involved directly in that, would they?

2 **MS. ROSE M. JACKSON [DESC]:** No, sir. But the
3 pipeline – the company that is constructing the
4 pipeline project, that we may have signed a
5 contract with, they would defend the project, but
6 all of those costs get rolled up into the cost of
7 the project.

8 **COMMISSIONER POWERS:** Okay. And time and
9 money costs, as well?

10 **MS. ROSE M. JACKSON [DESC]:** Yes, sir.

11 **COMMISSIONER POWERS:** Okay. Thank you.

12 **MS. ROSE M. JACKSON [DESC]:** Uh-huh.

13 **COMMISSIONER POWERS:** One more question. Mr.
14 Raftery, I was very interested when you talked
15 about the home energy checkup. I knew about that.
16 I didn't know about this Tier 2 about rebates for,
17 let's say, attic insulation. So if I wanted to
18 insulate my attic, after your people came and
19 looked at it, or whatever, and they said, "You
20 really should do this," you – do you – would you
21 rebate my electric bill? Or it's like, if it costs
22 a certain amount, you send a check? Or how is that
23 done for the customer? And then how is it
24 reflected in costs to all ratepayers?

25 **MR. JOHN H. RAFTERY [DESC]:** It's a great

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1 question, half of which I can answer; the other
2 half, I'm going to need to dance just a little bit.
3 Related to the second part, you know, how is it
4 represented in the costs to all ratepayers, it
5 certainly is captured as part of the energy-
6 efficiency program implementation costs, which goes
7 through an annual filing, concurrent with fuel. So
8 in February you'll see an annual demand-side
9 management application from the company, and that's
10 where those costs are captured. They are then
11 represented in rates through what we call the DSM
12 rider, so they are shared that way.

13 As you know, you know, each of the energy-
14 efficiency programs, with the exception of maybe
15 the low-income, need to pass cost-effectiveness
16 tests. So although there is a rather significant
17 rebate going out, there are more benefits than
18 there are costs, so there's that threshold that
19 needs to be passed. And then, certainly, some
20 programs take some time to get to be cost-
21 effective. You know, maybe year one, you're just
22 getting it on its feet; it might take a little
23 while. So there's a lot in that, and it's really
24 covered in that demand-side management application.

25 The second component about the payment, you

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1 know, if – would you pay a contractor, you know,
2 \$4,000 and then the company would reimburse you
3 75 percent or do they reimburse the contractor? I
4 don't know. I'm sorry. I don't know that. But
5 I'm certain that that link I provided for demand-
6 side management programs would have that
7 information. And if not, the demand-side
8 management group could answer that.

9 **COMMISSIONER POWERS:** So – and your expert
10 would have a list of approved contractors, or –

11 **MR. JOHN H. RAFTERY [DESC]:** That has been a
12 common challenge, regardless of the program,
13 whether it's energy efficiency or maybe some sales
14 thing in the past, which is whether or not the
15 company would vet contractors. And there seems to
16 be some risk in that, you know, recommending
17 someone without a, you know, certain level of
18 certification. It just seems risky. I don't
19 believe the demand-side management group recommends
20 contractors, but if I'm wrong, it would be on that
21 website.

22 **COMMISSIONER POWERS:** So a lot of this is
23 brand new – or it's brand new to me, anyway – this
24 Tier 2 stuff.

25 **MR. JOHN H. RAFTERY [DESC]:** It probably is.

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1 However, because it was recently implemented, I
2 think about a year or two ago when we asked for an
3 extension for our current demand-side management
4 programs – I think it was 2019, that's when this
5 Tier 2 came around.

6 **COMMISSIONER POWERS:** Okay.

7 **MR. JOHN H. RAFTERY [DESC]:** So kind of when I
8 was describing it takes a little while to get a
9 program on its feet and for customers to know about
10 it, that's what I'd attribute this to.

11 **COMMISSIONER POWERS:** And it's not limited to
12 low-income?

13 **MR. JOHN H. RAFTERY [DESC]:** No. No, not at
14 all. Absolutely not.

15 **COMMISSIONER POWERS:** Okay. Thank you.

16 **MR. JOHN H. RAFTERY [DESC]:** Yes. Thank you.

17 **COMMISSIONER POWERS:** Thank you, Mr. Chairman.

18 **CHAIRMAN J. WILLIAMS:** Thank you, sir. Any
19 more questions for our panel?

20 [No response.]

21 All right. Hearing none, we're complete
22 with – or we have completed the Commissioner
23 questions. Anything from the panel, the company,
24 Office of Regulatory Staff? No? All right.

25 Thank you for joining us, ladies and

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gentlemen. We are adjourned.

[WHEREUPON, at 11:03 a.m., the
proceedings in the above-entitled matter
were adjourned.]

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C E R T I F I C A T E

I, Jo Elizabeth M. Wheat, CVR-CM-GNSC, Notary Public in and for the State of South Carolina, do hereby certify that the foregoing is, to the best of my skill and ability, a true and correct transcript of all the proceedings had regarding a requested allowable ex parte briefing in the above-captioned matter before the PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA;

IN WITNESS WHEREOF, I have hereunto set my hand and seal, on this the 8th day of December, 2021.



Jo Elizabeth M. Wheat, CVR-CM/M|GNSC
Hearings Reporter - Public Service Commission
of South Carolina

Notary Public in/for the State of South Carolina
My Commission expires: January 12, 2031.